FILE COPY

FILED
JAN 3 1
E. ROBERT SEAVER

No. 71-666

IN THE

Supreme Court of the United States

OCTOBER TERM, 1971

UNITED STATES OF AMERICA, *Appellant*,

v.

GLAXO GROUP LIMITED, AND IMPERIAL CHEMICAL INDUSTRIES, LIMITED, *Appellees*.

On Appeal From the United States District Court for the District of Columbia

---

MOTION OF APPELLEE GLAXO GROUP LIMITED TO AFFIRM

HENRY P. SAILER
888 Sixteenth Street, N. W.
Washington, D. C. 20006

FRANCIS D. THOMAS, JR.
540 Shoreham Building
Washington, D. C. 20005

Attorneys for Appellee Glaxo Group Limited.

January 3, 1972.

INDEX

Page

QUESTIONS PRESENTED 2

STATEMENT 2

THE QUESTIONS ARE INSUBSTANTIAL 5

1. The Government's Right To Challenge Patent Validity 5

2. The Relief Decreed by the District Court 10

CONCLUSION 14

CITATIONS

Besser Mfg. Co. v. *United States*, 343 U.S. 444 .....10, 11

Blonder-Tongue Laboratories, Inc. v. *University Foundation*, 402 U.S. 313 9

Compco Corp. v. *Day-Brite Lighting*, 376 U.S. 234 ... 9

International Boxing Club v. *United States*, 358 U.S. 242 .....10, 11

International Salt Co. v. *United States*, 332 U.S. 392 10, 11

Kerotest Mfg. Co. v. *C-O-Two Fire Equipment Co.*, 342 U.S. 180 9

Lear, Inc. v. *Adkins*, 395 U.S. 653 9

Sears, Roebuck & Co. v. *Stiffel Co.*, 376 U.S. 225 9

United States v. *American Bell Telephone Co.*, 167 U.S. 224 .....2, 6, 7, 9, 10

United States v. *Arnold, Schwinn & Co.*, 1968 Trade Cases, ¶ 72,480 (N.D. Ill.) 12

United States v. *Arnold, Schwinn & Co.*, 388 U.S. 365 3

United States v. *Cold Metal Process Co.*, 57 F. Supp. 317 (N.D. Ohio 1944), *aff'd*, 164 F.2d 754 (6th Cir. 1947), *cert. denied*, 334 U.S. 811 7

United States v. *Combustion Engineering, Inc.*, 1957 Trade Cases, ¶ 68,852 (S.D.N.Y.) 12

United States v. *Crescent Amusement Co.*, 323 U.S. 173 11

United States v. *Farbenfabriken Bayer A.G.*, 1969 Trade Cases, ¶ 72,918 (D.D.C.) 11, 12

Page

United States v. *Hughes Tool Co.*, 1958 Trade Cases, ¶ 69,001 (S.D.N.Y.) 12
United States v. *National Lead Co.*, 332 U.S. 319 ....11, 13
United States v. *Ohio Crankshaft Co.*, 1956 Trade Cases, ¶ 68,329 (N.D. Ohio) 12
United States v. *Permatex Co., Inc.*, 1966 Trade Cases, ¶ 71,754 (E.D.N.Y.) 12
United States v. *Serta Associates, Inc.*, 1968 Trade Cases, ¶ 72,583 (N.D. Ill.) 12
United States v. *Standard Electric Time Co.*, 155 F. Supp. 949 (D. Mass. 1957) 7, 10
United States v. *United States Gypsum Co.*, 333 U.S. 364 ..... 7, 8

IN THE

Supreme Court of the United States

OCTOBER TERM, 1971

No. 71-666

UNITED STATES OF AMERICA, *Appellant*,

v.

GLAXO GROUP LIMITED, AND IMPERIAL CHEMICAL INDUSTRIES, LIMITED, *Appellees*.

On Appeal From the United States District Court for the District of Columbia

---

MOTION OF APPELLEE GLAXO GROUP LIMITED TO AFFIRM

Appellee Glaxo Group Limited respectfully submits that the Final Judgment of the District Court herein is so plainly correct as not to require plenary review, and moves that that Judgment be summarily affirmed.

QUESTIONS PRESENTED

1. Whether this Court should overrule *United States* v. *American Bell Telephone Co.*, 167 U.S. 224, and hold that the government has the right to bring suit to challenge the validity of patents on conventional patent law grounds, even when such patents are not relied on as justifying any restraints of trade and when a determination of their invalidity is accordingly not necessary to enable the government to reach such restraints.

2. Whether the District Court was required as a matter of law to provide in its decree for compulsory patent licensing and compulsory sales by appellees, two British drug manufacturers, when (a) the only practice declared unlawful was the imposition by appellees of limitations on the form in which their respective vendees might resell a bulk drug product purchased from appellees, (b) those limitations had been voluntarily cancelled, (c) the court imposed broad injunctive restraints against the direct or indirect revival of such limitations and additionally enjoined practices never adjudged to be unlawful, and (d) the court found that compulsory patent licensing and compulsory sales were not necessary for effective relief.

STATEMENT

This case was brought by appellant to contest the legality of certain particular provisions that at one time were included in certain agreements relating to an antibiotic known as griseofulvin. Appellees, Glaxo Group Limited (Glaxo) and Imperial Chemical Industries, Limited (ICI), defendants below, are two British drug companies. At the outset the case appeared potentially to present a relatively novel

question of law, *viz.*, the antitrust legality, in a patent license for manufacturing a drug, of a provision limiting the right of the manufacturer to sell the product in "bulk" as opposed to finished form. Appellant ultimately chose, however, to tender for decision only a far narrower issue, *i.e.*, the validity of contractual provisions restricting the *purchaser* of a bulk commodity from reselling that commodity in bulk form. As to this issue, appellant urged, successfully, that it was controlled by *United States* v. *Arnold, Schwinn & Co.*, 388 U.S. 365, and other decisions of this Court.[1]

In addition to the foregoing "restraint on alienation" charge, appellant's complaint also sought a declaration that a patent owned by appellee ICI relating

---

[1] Contrary to what is said in the Jurisdictional Statement (p. 8), the trial court did not hold "that the Glaxo contract provision prohibiting bulk sales of griseofulvin by its licensees • • • was a *per se* violation of the Sherman Act" or that "the ICI-Glaxo pooling agreement provision that licensees would not be permitted to resell the drug in bulk form also was a *per se* Sherman Act violation." Appellant, in an effort to reconvert elementary issues of law relating to a vendor's restraints on his vendee into a decision relating to bulk limitations in patent licenses, after choosing not to tender the question of the validity of such limitations, presented a proposed order to the trial court couched in these terms. (See proposed Order on Plaintiff's June 13, 1969, Motion for Partial Summary Judgment Against Glaxo, filed Oct. 23, 1969) The court, however, rejected that proposed order, and instead entered orders declaring simply that "The agreements of Glaxo with Johnson & Johnson, Inc. and Schering Corporation that the latter would not resell bulk form griseofulvin, whether patented or unpatented, that Glaxo sold to them are in *per se* violation of the Sherman Act" (Juris. St., p. 59), and that "The agreement of Glaxo and ICI that ICI would not permit its vendees to resell bulk form griseofulvin which they purchased from ICI is in *per se* violation of Section 1 of the Sherman Act insofar as that agreement applied to United States vendees of ICI." (*Id.*, p. 60)

to griseofulvin was invalid on various conventional patent law grounds. Some months after the filing of the complaint, appellant sought to proceed by amendment also to challenge on similar grounds a patent relating to griseofulvin owned by appellee Glaxo. These declarations were not sought because appellees attempted to justify any challenged conduct on the ground that it was within a patent monopoly. As stated above, the only conduct challenged by appellant was the imposition by appellees of limitations on the resale of products sold by them, and as to that conduct appellant succeeded in obtaining a judgment of illegality. Rather, the basis of appellant's challenge was solely a claimed "public policy" favoring "the invalidation of specious patents to rid the public of their burden on commerce." [2]

The court, after reviewing the authorities and considering the relevant statutory scheme, held that appellant had no right thus to challenge the validity of appellees' patents, there being no claim by appellant that those patents had been procured by fraud and no reliance on the patents by appellees to justify the restraints on alienation with which they had been charged.

As stated above, the court's ruling on the merits of appellant's antitrust charge was a narrow and specific one, directed only to a limitation imposed by a vendor on his vendee's resales. Nevertheless, appellant submitted a proposed decree that broadly enjoined appellees not only from imposing resale restraints as

[2] Memorandum of United States in Reply to January 16, 1968, Memorandum of ICI in Opposition to Plaintiff's Motion to Amend, Etc. (Jurisdiction Issue), Jan. 22, 1969, p. 3.

to any drug product but also from imposing bulk sale or similar limitations in manufacturing patent licenses, a novel area of law as to which the court had made no adjudication. In addition, appellant sought compulsory licensing of appellees' patents and compulsory sale by appellees of griseofulvin to any would-be buyer, despite the fact that there had been no finding of any agreement by appellees to refuse to license or sell.

The decree entered by the trial court embodied the broad injunctions proposed by appellant, despite appellees' objection that a prohibition of bulk limitations in manufacturing patent licenses was entirely inappropriate in view of appellant's failure to seek or secure an adjudication that such limitations are in violation of law. The court declined, however, to direct compulsory licensing or compulsory sale, holding that appellant had failed to show that such relief was appropriate in the particular circumstances of this case.

THE QUESTIONS ARE INSUBSTANTIAL

1. The Government's Right to Challenge Patent Validity

Appellant expressly disclaims any contention that the court below erred in declining to recognize a general authority in the government "to attack collaterally the validity of patents on any grounds." (Juris. St., pp. 14-15) It alleges that the challenge here "is only in the narrow context of an antitrust proceeding where the patentee has unreasonably restrained trade in violation of the antitrust laws through the use of a patent which the government asserts is invalid." (*Id.*, p. 15)

The suggestion that acceptance of appellant's position would not inevitably mean that the government

would thereafter be in a position "to attack collaterally the validity of patents on any grounds" will not survive analysis. The very function of a patent is to confer a monopoly which in the absence of the patent would constitute an unreasonable restraint of trade. Appellant itself states that its fundamental reliance is on an alleged "strong public policy of eliminating invalid patent monopolies." (Juris. St., p. 10) Thus reversal of the decision below would of necessity mean that the government could always utilize the antitrust jurisdiction to challenge the validity of any undedicated patent, since in appellant's own terms the existence and enforcement of an invalid patent is *ipso facto* an unlawful monopoly.[3]

Appellant's position is in direct conflict with settled law, established by this Court more than seventy years ago, and hence presents no issue justifying plenary review. In *United States* v. *American Bell Telephone Co.*, 167 U.S. 224, the Court expressly determined that the United States has no general right or standing to attack the validity of a patent in the absence of a showing of fraud or the like. The Court held that an "error of judgment on the part of the patent officials" (the very ground upon which appellant seeks here to raise a challenge to patents) would not justify a gov-

---

[3] In the District Court appellant was somewhat more candid about the reach of its position:

> "The amended complaint alleges and seeks a declaration of the invalidity of the Glaxo patent. Such alleged invalidity is not based upon any violation of the antitrust laws or on Glaxo's answer. The amended complaint alleges the patent is invalid for failure to comply with the requirements of the patent laws [citations omitted] not directly related to Glaxo's restrictive licensing practices • • •". (Memorandum of Plaintiff in Opposition to Defendant Glaxo's Objections to Plaintiff's July 16, 1968, Interrogatories, Sept. 25, 1968, p. 8)

ernmental challenge since "[t]hat would be an attempt on the part of the courts in collateral attack to exercise an appellate jurisdiction over the decisions of the Patent Office, although no appellate jurisdiction has been by the statutes conferred." (167 U.S. at p. 269) This holding, which appellant does not ask the Court to overrule, is controlling here.

Appellant's suggestion that this "restrictive language" was unnecessary to the decision in the *Telephone* case (Juris. St., p. 13) is without merit. The Court there specifically posed the question whether a governmental challenge to a patent on grounds of error of judgment could be maintained, and ruled that "the question, as stated, is not open for consideration in this case." It was for this very reason that the case was dismissed. (167 U.S. at pp. 269-70) Any possible doubt about the matter is dissolved by the fact that this Court has itself since recognized that in *Telephone* "the United States was held without standing to bring a suit in equity to cancel a patent on the ground of invalidity." *United States* v. *United States Gypsum Co.*, 333 U.S. 364, 387.

The rule stated in the *Telephone* case has been so universally accepted that since that time appellant has never even claimed a right to bring an action challenging the validity of patents except in instances of fraud or the like. The only decisions that have touched on the question have followed *Telephone*. *United States* v. *Cold Metal Process Co.*, 57 F. Supp. 317 (N.D. Ohio 1944), *aff'd*, 164 F.2d 754 (6th Cir. 1947), *cert. denied*, 334 U.S. 811; *United States* v. *Standard Electric Time Co.*, 155 F. Supp. 949 (D. Mass. 1957).

Appellant urges that the rule stated in *Telephone* was modified in *United States* v. *United States*

Gypsum Co., supra. There this Court stated that when an antitrust challenge is made to restrictive practices and those practices are defended as being within a lawful monopoly conferred by valid patents, the United States should have an "opportunity to show that the asserted shield of patentability does not exist." (333 U.S. at p. 388)

Gypsum is altogether inapposite here. Appellees in this case never interposed any "asserted shield of patentability." They made no claim that the conduct with which they were charged was justified in whole or in part by patents. In the situation discussed in *Gypsum* a determination of the question of patent validity was essential in order properly to adjudicate the government's antitrust claim, to which patents were raised as a bar. Here, in contrast, the government's antitrust claim was disposed of in its favor without any need to reach the question of patent validity.

This Court's discussion in *Gypsum* not only lends no support to appellant's present position but indeed rejects the very premises upon which that position is based. Thus *Gypsum* emphasized that "the United States does not claim that the patents are invalid because they have been employed in violation of the Sherman Act and that a decree should issue canceling the patents." (333 U.S. at p. 387) Here, in contrast, that is precisely what appellant *does* seek to claim. And whereas in *Gypsum* the Court noted that "the government charges that the defendants have violated the Sherman Act because they were granted licenses under patents which in fact were invalid" (*ibid.*) here appellees made no such charge but rather success-

fully took the position that appellees' contracts were unlawful irrespective of the validity of their patents.[4]

The Sherman Act has been in existence for more than eight decades, and the Patent Statutes for a longer time still. In that entire time appellant has never until today suggested that the Antitrust Division of the Department of Justice enjoys a kind of roving commission to bring suit to strike down patents as "impediments to commerce." (Juris. St., p. 14 n. 12) Acceptance of appellant's position would mean that the Division could, without any intervening cause or reason, choose at any time to challenge any patent on grounds which had already been considered at the time the patent was granted, by the governmental agency specifically charged by statute with consideration of such questions. It would in effect imply the existence of a superior patent expertise in the Antitrust Division not possessed by the agency which has been expressly entrusted by Congress with determination of questions of patentability, and in so doing would fundamentally distort the statutory scheme that Congress has provided for review of patent issues.[5]

---

[4] The only other cases relied on in this part of the Jurisdictional Statement (pp. 10-11) are altogether remote from any issue here presented. Thus Blonder-Tongue Labs, Inc. v. University Foundation, 402 U.S. 313, involved issues of collateral estoppel; Lear, Inc. v. Adkins, 395 U.S. 653, involved licensee estoppel; Sears, Roebuck & Co. v. Stiffel Co., 376 U.S. 225, and Compco Corp. v. Day-Brite Lighting, 376 U.S. 234, raised questions of federal preemption; and Kerotest Mfg. Co. v. C-O-Two Fire Equipment Co., 342 U.S. 180, related to choice of forum in infringement litigation.

[5] "* * * Congress has established the Patent Office, and thereby created a tribunal to pass upon all questions of novelty and utility. It has given to that office exclusive jurisdiction in the first instance, and has specifically provided under what circumstances its decisions may be reviewed, either collaterally or by appeal." United States v. American Bell Telephone Co., 167 U.S. 224, 267.

The reasons for rejecting appellant's position here were well stated by Judge Wyzanski in *United States* v. *Standard Electric Time Co., supra* at p. 953 (a case decided after *Gypsum*), with respect to the question whether the government has a right to sue to cancel a patent on the ground of invalidity:

> "There are some who believe that the Government ought to have a right to bring such a suit. See, for example, Senate Report No. 1464, S. Res. 92, 84th Cong., 2nd Sess. p. 13. But so far Congress has not agreed to give the Government this right. And it is unsuitable for a court without legislative authority behind it, to create this right. Cf. United States v. Bell Telephone Co., 167 U.S. 224, 17 S. Ct. 809, 42 L. Ed. 144."

2. The Relief Decreed by the District Court

In urging that the District Court's action in declining to order compulsory patent licensing and compulsory sales was erroneous as a matter of law, appellant relies on three decisions of this Court. *Besser Mfg. Co.* v. *United States,* 343 U.S. 444; *International Boxing Club* v. *United States,* 358 U.S. 242; *International Salt Co.* v. *United States,* 332 U.S. 392. These cases do not aid appellant. On the contrary, they make it clear that whether relief of the kind appellant seeks is to be required in cases allegedly involving anticompetitive patent activity rests within the sound discretion of the trial court.

Each of the three decisions in question affirmed a judgment entered by the trial court. In doing so, each emphasizes that the trial court's determination of the appropriate relief is not lightly to be disturbed. Thus in *Besser* this Court noted that "[i]n framing relief in

antitrust cases, a range of discretion rests with the trial judge." (343 U.S. at p. 449) In *International Boxing Club* it admonished that "[i]n approaching the question of relief we must remember that our function is not to sit as a trial court." (358 U.S. at p. 253) And in *International Salt* it held that (332 U.S. at pp. 400-01):

> "The framing of decrees should take place in the District rather than in Appellate Courts. They are invested with large discretion to model their judgments to fit the exigencies of the particular case. *United States* v. *Crescent Amusement Co.*, 323 U.S. 173, 185; *United States* v. *National Lead Co.*, 332 U.S. 319."[6]

The opinion of the court below shows that the court carefully considered all the relevant circumstances, and carefully formulated its judgment to "fit the exigencies of the particular case." In doing so, it acted well within the "large discretion" with which this Court has held trial courts to be invested in matters of this kind.

There is an additional reason why appellant is in no position to argue, as it does here, that compulsory patent licensing is required in every case allegedly involving anticompetitive activity with respect to patents. Appellant has frequently consented to the entry of antitrust decrees in such cases containing no such requirement. See, for example, *United States* v. *Farbenfabriken Bayer A.G.*, 1969 Trade Cases,

---

[6] Appellant's reliance on *International Salt* is particularly misplaced in light of the fact that although patents were there involved no compulsory licensing was decreed, and no compulsory sales, but rather simply nondiscriminatory sales, were required.

¶ 72,918 (D.D.C.); *United States* v. *Hughes Tool Co.*, 1958 Trade Cases, ¶ 69,001 (S.D.N.Y.); *United States* v. *Combustion Engineering, Inc.*, 1957 Trade Cases, ¶ 68,852 (S.D.N.Y.); *United States* v. *Ohio Crankshaft Co.*, 1956 Trade Cases, ¶ 68,329 (N.D. Ohio). As the court below held, the instant case "has not been characterized as a patent misuse, patent licensing, or know how licensing problem". (Juris. St., p. 37 n. 40) There is thus *a fortiori* no basis here for the claim that the trial court was required as a matter of law to decree compulsory licensing.

By the same token, it cannot be contended that because the court found unlawful restraints on alienation to have existed it was required to direct compulsory sales by the appellees. There have been numerous litigated and consent decrees in cases involving restraints on alienation where such provisions do not appear. *United States* v. *Farbenfabriken Bayer A.G.*, 1969 Trade Cases, ¶ 72,918 (D.D.C.); *United States* v. *Arnold, Schwinn & Co.*, 1968 Trade Cases, ¶ 72,480 (N.D. Ill.); *United States* v. *Serta Associates, Inc.*, 1968 Trade Cases, ¶ 72,583 (N.D. Ill.); *United States* v. *Permatex Co., Inc.*, 1966 Trade Cases, ¶ 71,754 (E.D.N.Y.).

Appellant's charge in this case was not one of a broad conspiracy between appellees and their vendees to monopolize the griseofulvin market. Rather it was simply that appellees had unlawfully restricted by contract the freedom of their vendees to resell griseofulvin purchased from the appellees. It is undisputed that these restrictions have long since been cancelled, and the decree entered by the trial court contains ample safeguards against their revival. The

market has thus been fully protected against unlawful restraints. Appellant's apparent desire to create additional competition by requiring sales to third parties of a kind that would never have existed even in the absence of any contractual restraints goes beyond the boundaries of law.[7] "It is not for the courts to realign and redirect effective and lawful competition where it already exists and needs only to be released from restraints that violate the antitrust laws." *United States* v. *National Lead Co.*, 332 U.S. 319, 353.

The trial court was far from niggardly in the relief that it granted to appellant. Although its adjudication on the merits related to only one particular kind of restriction, on the resale of only one drug, the decree broadly prohibits any kind of resale restrictions, on any drug. And although appellant neither sought nor secured a determination as to the illegality of a patent licensing restriction on the freedom of a manufacturing licensee to sell the product of its manufacture in bulk form (as opposed to a restriction on the resale in bulk of a purchased product), the decree broadly enjoins the imposition of any such restriction with respect to any drug. Appellant has thus received the full measure of relief to which it is entitled and more besides. Its contentions to the contrary present no issue warranting plenary consideration by this Court.

---

[7] Appellant never presented any evidence that appellees' vendees, in the exercise of their independent judgment, would have been likely to sell bulk griseofulvin during the period when the bulk restrictions were in effect but for those restrictions, *i.e.*, that the restrictions ever had an actual effect on the market.

CONCLUSION

For the foregoing reasons, the judgment of the District Court should be affirmed.

Respectfully submitted,

HENRY P. SAILER
888 Sixteenth Street, N. W.
Washington, D. C. 20006

FRANCIS D. THOMAS, JR.
540 Shoreham Building
Washington, D. C. 20005

Attorneys for Appellee
Glaxo Group Limited.

January 3, 1972.